

**POCAHONTAS AREA
COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2015

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Pocahontas Area Community School District

Officials

NAME	TITLE	TERM EXPIRES
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Board of Education

Greg Fritz	President	2015
Jason Gerdes	Vice President	2015
John Behrendsen	Board Member	2017
Paul Berte	Board Member	2015
Richard Garner	Board Member	2017
Dan Duitscher	Board Member	2015
James Von Dolter	Board Member	2017

School Officials

Joseph Kramer	Superintendent
Diane Pattee	District Secretary/Treasurer



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

Independent Auditor's Report

To the Board of Education of
Pocahontas Area Community School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pocahontas Area Community School District, Pocahontas, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pocahontas Area Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 12 to the financial statements, Pocahontas Area Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

As discussed in Note 12 to the financial statements, the 2014 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 48 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pocahontas Area Community School District's basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statement. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2016 on our consideration of Pocahontas Area Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pocahontas Area Community School District's internal control over financial reporting and compliance.

Schnum & Company, LLP

Fort Dodge, Iowa
March 17, 2016

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pocahontas Area Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,660,631 in fiscal year 2014 to \$7,848,989 in fiscal year 2015, while General Fund expenditures decreased from \$8,297,502 in fiscal year 2014 to \$8,137,785 in fiscal year 2015. This District's General Fund balance decreased from \$2,749,240 at the end of fiscal year 2014 to \$2,460,444 at the end of fiscal year 2015, an 11% decrease.
- The fiscal year 2015 General Fund revenue increase was attributable to increases in property tax, tuition and federal grant revenue. The decrease in expenditures was due primarily to a decrease in negotiated salaries and benefits. One reason the General Fund balance decreased is because the negotiated salaries and benefits were greater than the District's increase in General Fund Revenue for fiscal year 2015.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Pocahontas Area Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Pocahontas Area Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Pocahontas Area Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about combining governmental and enterprise funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES (CONTINUED)

Fund Financial Statements (Continued)

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds: the School Nutrition Fund and Discovery Daycare.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

- 3) *Fiduciary funds*: The District is the trustee or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
- *Private-Purpose Trust Fund* – The District accounts for outside donations for scholarships for individual students in this fund.
 - *Agency Fund* – These are funds through which the District administers and accounts for certain financial activities as a fiscal agent.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-1 Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities		Business-Type Activities		Total District		Total Change %
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-2015
Assets							
Current and other assets	\$ 11,373	\$ 13,396	\$ 204	\$ 153	\$ 11,577	\$ 13,549	-14.55
Capital assets	17,705	13,799	7	4	17,712	13,803	28.32
Total assets	29,078	27,195	211	157	29,289	27,352	7.08
Deferred Outflows of Resources	451	-	21	-	472	-	0.00
Liabilities							
Long-term liabilities	11,645	9,303	166	9	11,811	9,312	26.84
Other liabilities	871	376	26	32	897	408	119.85
Total liabilities	12,516	9,679	192	41	12,708	9,720	30.74
Deferred Inflows of Resources	7,134	5,477	52	7	7,186	5,484	31.04
Net Position							
Net investment in capital assets	9,100	4,812	7	4	9,107	4,816	89.10
Restricted	1,910	5,034	-	-	1,910	5,034	-62.06
Unrestricted	(1,131)	2,193	(19)	105	(1,150)	2,298	-150.04
Total net position	\$ 9,879	\$ 12,039	\$ (12)	\$ 109	\$ 9,867	\$ 12,148	-18.78

The District's total net position decreased 18.8%, or approximately \$2,281,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$3,124,000, or 62.1%, over the prior year. The decrease was primarily a result of increased expenditures in the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$3,448,000, or 150.0%. This reduction in unrestricted net position was primarily a result of the District's net pension liability recorded in the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of FASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business-type activities were restated by \$3,757,098 and \$193,579, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-2 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014:

Figure A-2 Changes in Net Position (Expressed in Thousands)							
	Governmental Activities		Business-Type Activities		Total District		Total
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-2015
Revenues:							
Program revenues:							
Charges for service	\$ 977	\$ 870	\$ 385	\$ 416	\$ 1,362	\$ 1,286	5.91
Operating grants, contributions and restricted interest	1,286	1,232	280	275	1,566	1,507	3.92
General revenues:							
Property tax	5,540	5,250	-	-	5,540	5,250	5.52
Income surtax	57	58	-	-	57	58	-1.72
Statewide sales, services and use tax	625	619	-	-	625	619	0.97
Unrestricted state grants	2,073	2,292	-	-	2,073	2,292	-9.55
Unrestricted investment earnings	67	14	-	-	67	14	378.57
Other	8	7	-	-	8	7	14.29
Total revenues	10,633	10,342	665	691	11,298	11,033	2.40
Program expenses:							
Instruction	5,807	5,495	-	-	5,807	5,495	5.68
Student support services	2,830	3,140	-	-	2,830	3,140	-9.87
Non-instructional programs	-	-	612	636	612	636	-3.77
Other expenses	1,101	1,138	-	-	1,101	1,138	-3.25
Total expenses	9,738	9,773	612	636	10,350	10,409	-0.57
Change in net position	895	569	53	55	948	624	51.92
Net position beginning of year, as restated	8,984	11,470	(65)	54	8,919	11,524	-22.60
Net position end of year	\$ 9,879	\$ 12,039	\$ (12)	\$ 109	\$ 9,867	\$ 12,148	-18.78

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

In fiscal year 2015, property tax and unrestricted state grants accounted for 72% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for the business-type activities revenue. The District's total revenues were approximately \$11.3 million, of which approximately \$10.6 million was for governmental activities and \$700,000 was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 2.4% increase in revenues and a 0.6% decrease in expenses. The decrease in expenses is related to decreases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$10,631,880 and expenses were \$9,737,356 for the year ended June 30, 2015. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-3						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
Total Cost of Services			Net Cost of Services			
		%			%	
	2015	2014	Change	2015	2014	Change
			2014-2015			2014-2015
Instruction	\$ 5,807	\$ 5,495	5.7	\$ 3,956	\$ 3,769	5.0
Support services	2,830	3,140	-9.9	2,745	3,089	-11.1
Other expenses	1,101	1,138	-3.3	773	813	-4.9
Total	\$ 9,738	\$ 9,773	-0.4	\$ 7,474	\$ 7,671	-2.6

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$976,932. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,286,030.
- The net cost of governmental activities was financed with \$6,221,871 in property and other taxes and \$2,072,711 in unrestricted state grants.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-type Activities

Revenues for business-type activities during the year ended June 30, 2015 were \$664,303, representing a 6.8% decrease over the prior year, while expenses totaled \$611,431, a 3.9% decrease over the prior year. The District's business-type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The Discovery Daycare Center was established in 2008 as part of a 28E agreement with the city of Pocahontas and the Pocahontas Community Hospital.

INDIVIDUAL FUND ANALYSIS

As previously noted, Pocahontas Area Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,692,973 below last year's ending fund balances of \$8,161,005. The primary reason for the decrease in combined fund balances at the end of fiscal year 2015 is due to expenditures made toward the elementary school remodeling project.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the result of many factors. Losses during the year are due to revenue not fully supporting expenditures of the District.
- The General Fund balance decreased from \$2,749,240 to \$2,460,444, which is a smaller deficit than the previous year, due in part to increased revenues and decreased expenditures.
- The Capital Projects Fund balance decreased as a result of the District's elementary school remodeling project. The District ended fiscal year 2014 with a balance of \$3,901,897 and fiscal year 2015 ended with a balance of \$563,094, which will be used for the projected elementary remodel project.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$8,567 at June 30, 2014 to \$44,626 at June 30, 2015, representing an increase of approximately 420.9%. Increases in federal revenue sources contributed to an increased balance.

The Day Care Fund balance increased from \$(73,134) at June 30, 2014 to \$(56,321) at June 30, 2015. This increase resulted primarily from decreases in staff wages and benefits.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUDGETARY HIGHLIGHTS

Over the course of the year, Pocahontas Area Community School District amended its budget one time to reflect additional expenditures associated with the elementary school remodeling project.

The District's total revenues were \$32,290 less than total budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$17.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. (See Figure A-4). This represents a net increase of 28.3% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$578,696.

The original cost of the District's capital assets was approximately \$27.2 million. Governmental funds account for approximately \$27.1 million, with the remainder of approximately \$100,000 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$4,350,226 at June 30, 2015, compared to \$0 reported at June 30, 2014. This significant increase resulted from construction activity for remodeling of the elementary school.

Figure A-4
Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		%
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 172	\$ 172	\$ -	\$ -	\$ 172	\$ 172	0.00
Construction in progress	4,350	-	-	-	4,350	-	0.00
Buildings	12,222	12,555	-	-	12,222	12,555	-2.65
Improvements	547	491	-	-	547	491	11.41
Furniture and equipment	414	581	7	4	421	585	-28.03
Total	\$ 17,705	\$ 13,799	\$ 7	\$ 4	\$ 17,712	\$ 13,803	28.32

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At June 30, 2015, the District had \$11,810,391 of long-term debt outstanding. This represents a decrease of approximately 13.7% from last year (See Figure A-5). Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-5			
Outstanding Long-term Obligations			
(Expressed in Thousands)			
	Total School District		%
	June 30,		June 30,
	2015	2014	2014-2015
General obligation bonds	\$ 8,605	\$ 9,030	-4.71
Termination benefits	45	77	-41.56
Net pension liability	2,890	4,376	-33.96
Net OPEB Liability	270	205	31.71
Total	\$ 11,810	\$ 13,688	-13.72

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The elementary school remodeling project will be completed during fiscal year 2016.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Diane Pattee, District Secretary/Treasurer and Business Manager, Pocahontas Area Community School District, 202 1st Avenue SW, Pocahontas, Iowa 50574.

BASIC FINANCIAL STATEMENTS

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Exhibit A

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 5,088,809	\$ 175,269	\$ 5,264,078
Receivables:			
Property tax:			
Delinquents	36,673	-	36,673
Succeeding year	5,812,666	-	5,812,666
Accounts	136,254	4,615	140,869
Income surtax	54,227	-	54,227
Due from other governments	244,882	14,981	259,863
Inventories	-	9,597	9,597
Prepaid expenses	20	-	20
Capital assets net of accumulated depreciation	17,704,660	6,552	17,711,212
Total assets	29,078,191	211,014	29,289,205
Deferred Outflows of Resources			
Pension related deferred outflows	450,511	20,962	471,473
Liabilities			
Accounts payable	415,021	9,366	424,387
Salaries and benefits payable	395,916	16,802	412,718
Accrued interest payable	60,040	-	60,040
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	445,000	-	445,000
Termination benefits	32,839	-	32,839
Portion due after one year:			
General obligation bonds	8,160,000	-	8,160,000
Termination benefits	12,616	-	12,616
Net pension liability	2,736,043	153,578	2,889,621
Net OPEB liability	258,151	12,164	270,315
Total liabilities	12,515,626	191,910	12,707,536
Deferred Inflows of Resources			
Unavailable property tax revenue	5,812,666	-	5,812,666
Pension related deferred inflows	1,321,203	51,761	1,372,964
	7,133,869	51,761	7,185,630

(Continued on next page)

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

**Exhibit A
(Continued)**

**STATEMENT OF NET POSITION
June 30, 2015**

	Governmental Activities	Business-type Activities	Total
Net Position			
Net investment in capital assets	\$ 9,099,660	\$ 6,552	\$ 9,106,212
Restricted for:			
Categorical funding	40,794	-	40,794
Employee benefits	2,728	-	2,728
Management levy purposes	885,272	-	885,272
Student activities	185,863	-	185,863
School infrastructure	104,162	-	104,162
Physical plant and equipment	93,359	-	93,359
Debt service	598,299	-	598,299
Unrestricted	(1,130,930)	(18,247)	(1,149,177)
Total net position	\$ 9,879,207	\$ (11,695)	\$ 9,867,512

See notes to financial statements.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Service		
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,376,989	\$ 497,791	\$ 670,886	\$ -
Special instruction	948,192	112,478	68,271	-
Other instruction	1,481,646	366,663	134,417	-
	<u>5,806,827</u>	<u>976,932</u>	<u>873,574</u>	<u>-</u>
Support services:				
Student	186,382	-	-	-
Instructional staff	341,239	-	-	-
Administration	789,073	-	37,326	-
Operation and maintenance of plant	799,262	-	-	-
Transportation	713,581	-	47,187	-
	<u>2,829,537</u>	<u>-</u>	<u>84,513</u>	<u>-</u>
Other expenditures:				
Long-term debt interest	377,004	-	-	-
AEA flowthrough	327,943	-	327,943	-
Depreciation (unallocated)*	396,045	-	-	-
	<u>1,100,992</u>	<u>-</u>	<u>327,943</u>	<u>-</u>
Total governmental activities	<u>9,737,356</u>	<u>976,932</u>	<u>1,286,030</u>	<u>-</u>
Business-type activities:				
Non-instructional programs:				
Food service operations	464,320	225,652	274,569	-
Daycare	147,111	158,634	5,254	-
Total business-type activities	<u>611,431</u>	<u>384,286</u>	<u>279,823</u>	<u>-</u>
Total	<u>\$ 10,348,787</u>	<u>\$ 1,361,218</u>	<u>\$ 1,565,853</u>	<u>\$ -</u>

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (2,208,312)	\$ -	\$ (2,208,312)
(767,443)	-	(767,443)
(980,566)	-	(980,566)
(3,956,321)	-	(3,956,321)
(186,382)	-	(186,382)
(341,239)	-	(341,239)
(751,747)	-	(751,747)
(799,262)	-	(799,262)
(666,394)	-	(666,394)
(2,745,024)	-	(2,745,024)
(377,004)	-	(377,004)
-	-	-
(396,045)	-	(396,045)
(773,049)	-	(773,049)
(7,474,394)	-	(7,474,394)
-	35,901	35,901
-	16,777	16,777
-	52,678	52,678
(7,474,394)	52,678	(7,421,716)

(Continued on next page)

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

		Program Revenues		
		Charges for	Operating	Capital Grants,
	Expenses	Service	Grants, Contributions and Restricted Interest	Contributions and Restricted Interest
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
Net position end of year				

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Exhibit B
(Continued)

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ 3,968,448	\$ -	\$ 3,968,448
1,084,426	-	1,084,426
487,376	-	487,376
56,595	-	56,595
625,026	-	625,026
2,072,711	-	2,072,711
66,806	194	67,000
7,530	-	7,530
8,368,918	194	8,369,112
894,524	52,872	947,396
8,984,683	(64,567)	8,920,116
\$ 9,879,207	\$ (11,695)	\$ 9,867,512

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	General	Capital Projects	Debt Service
<hr/>			
Assets			
Cash, cash equivalents and pooled investments	\$ 2,714,564	\$ 604,824	\$ 591,501
Receivables:			
Property tax:			
Delinquent	24,733	3,156	7,799
Succeeding year	4,074,254	506,673	1,081,738
Income surtax	54,227	-	-
Accounts	108,857	-	-
Due from other funds	15,117	-	-
Due from other governments	141,298	103,584	-
Prepaid expenses	20	-	-
	<hr/>		
 Total assets	 \$ 7,133,070	 \$ 1,218,237	 \$ 1,681,038
	<hr/> <hr/>		

See notes to financial statements.

Exhibit C

Special Revenue	Total
<hr/>	
\$ 1,175,192	\$ 5,086,081
985	36,673
150,001	5,812,666
-	54,227
27,397	136,254
-	15,117
-	244,882
-	20
<hr/>	

\$ 1,353,575	\$ 11,385,920
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POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	General	Capital Projects	Debt Service
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 202,054	\$ 148,470	\$ 1,000
Due to other funds	-	-	-
Salaries and benefits payable	342,091	-	-
Total liabilities	544,145	148,470	1,000
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	4,074,254	506,673	1,081,738
Income surtax	54,227	-	-
Total deferred inflows of resources	4,128,481	506,673	1,081,738
Fund balances:			
Restricted for:			
Categorical funding	40,794	-	-
Debt service	-	-	598,300
Management levy purposes	-	-	-
Student activities	-	-	-
School infrastructure	-	104,162	-
Physical plant and equipment	-	458,932	-
Unassigned	2,419,650	-	-
Total fund balances	2,460,444	563,094	598,300
Total liabilities, deferred inflows of resources and fund balances	\$ 7,133,070	\$ 1,218,237	\$ 1,681,038

Exhibit C
(Continued)

Special Revenue		Total	
\$	63,497	\$	415,021
	15,117		15,117
	53,825		395,916
	132,439		826,054
	150,001		5,812,666
	-		54,227
	150,001		5,866,893
	-		40,794
	-		598,300
	885,272		885,272
	185,863		185,863
	-		104,162
	-		458,932
	-		2,419,650
	1,071,135		4,692,973
\$	1,353,575	\$	11,385,920

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT**Exhibit D****RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION****June 30, 2015****Total fund balances of governmental funds (page 19)** \$ 4,692,973***Amounts reported for governmental activities in the Statement
of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 17,704,660

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 54,227

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. (60,040)

An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 2,728

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 450,511	
Deferred inflows of resources	<u>(1,321,203)</u>	(870,692)

Long-term liabilities, including bonds payable, early retirement obligations, other postemployment benefits payable, and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds. (11,644,649)

Net position of governmental activities (page 15) \$ 9,879,207

See notes to financial statements.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

Governmental Funds

Year Ended June 30, 2015

	General	Capital Projects	Debt Service
Revenues:			
Local sources:			
Local tax	\$ 3,861,651	\$ 486,599	\$ 1,083,942
Tuition	454,347	-	-
Other	172,915	53,788	2,915
State sources	3,106,007	625,802	484
Federal sources	254,069	-	-
Total revenues	7,848,989	1,166,189	1,087,341
Expenditures:			
Current:			
Instruction:			
Regular	3,182,234	-	-
Special	947,198	-	-
Other	1,142,654	-	-
	5,272,086	-	-
Support services:			
Student	185,959	-	-
Instructional staff	327,623	-	-
Administration	783,467	7,500	-
Operation and maintenance of plant	689,465	-	-
Transportation	551,242	91,505	-
	2,537,756	99,005	-
Other expenditures:			
Facilities acquisition	-	4,405,987	-
Long-term debt:			
Principal	-	-	425,000
Interest and fiscal charges	-	-	379,738
AEA flowthrough	327,943	-	-
	327,943	4,405,987	804,738
Total expenditures	8,137,785	4,504,992	804,738
Change in fund balances	(288,796)	(3,338,803)	282,603
Fund balances, beginning of year, as restated	2,749,240	3,901,897	315,697
Fund balances, end of year	\$ 2,460,444	\$ 563,094	\$ 598,300

See notes to financial statements.

Exhibit E

Special Revenue	Total
\$ 151,891	\$ 5,584,083
-	454,347
367,304	596,922
49	3,732,342
-	254,069
519,244	10,621,763

128,270	3,310,504
-	947,198
338,992	1,481,646
467,262	5,739,348

-	185,959
-	327,623
-	790,967
175,018	864,483
-	642,747
175,018	2,811,779

-	4,405,987
-	425,000
-	379,738
-	327,943
-	5,538,668
642,280	14,089,795

(123,036)	(3,468,032)
1,194,171	8,161,005
\$ 1,071,135	\$ 4,692,973

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2015**

Change in fund balances - total governmental funds (page 21) \$ (3,468,032)

***Amounts reported for governmental activities in the Statement of
Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 4,482,692	
Depreciation expense	<u>(577,689)</u>	3,905,003

Income surtaxes and receivables not collected for several months after the District's fiscal year ends are not considered available revenues in the governmental funds and are included as deferred inflows of resources. They are, however, recorded as revenues in the Statement of Activities. This represents the change from the prior year.

10,117

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

425,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.

2,734

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	32,108	
Other postemployment benefits	<u>(62,150)</u>	(30,042)

(Continued on next page)

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

**Exhibit F
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

Year ended June 30, 2015

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

\$ 150,363

An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

(100,619)

Change in net position of governmental activities (page 17)

\$ 894,524

See notes to financial statements.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Exhibit G

STATEMENT OF NET POSITION

Proprietary Funds

June 30, 2015

	Nonmajor Enterprise Funds	Governmental Activities Internal Service Fund
Assets		
Current assets:		
Cash, cash equivalents and pooled investments	\$ 175,269	\$ 2,728
Accounts receivable	4,615	-
Due from other governments	14,981	-
Inventories	9,597	-
Total current assets	204,462	2,728
Noncurrent assets:		
Capital assets, net of accumulated depreciation	6,552	-
Total noncurrent assets	6,552	-
Total assets	211,014	2,728
Deferred Outflows of Resources		
Pension related deferred outflows	20,962	-
Liabilities		
Current liabilities:		
Accounts payable	9,366	-
Salaries and benefits payable	16,802	-
Total current liabilities	26,168	-
Noncurrent liabilities:		
Net pension liability	153,578	-
Net OPEB liability	12,164	-
Total noncurrent liabilities	165,742	-
Total liabilities	191,910	-
Deferred Inflows of Resources		
Pension related deferred inflows	51,761	-
Net Position		
Net investment in capital assets	6,552	-
Reserved for employee benefits	-	2,728
Unrestricted	(18,247)	-
Total net position	\$ (11,695)	\$ 2,728

See notes to financial statements.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Exhibit H

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION

Proprietary Funds

Year ended June 30, 2015

	Nonmajor Enterprise Funds	Governmental Activities Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 384,286	\$ -
Health insurance premiums	-	809,624
	<u>384,286</u>	<u>809,624</u>
Operating expenses:		
Support services:		
Benefits	-	910,243
Non-instructional programs:		
Food service operations:		
Salaries	205,601	-
Benefits	76,103	-
Purchased services	12,851	-
Supplies	315,801	-
Depreciation	1,007	-
Other	68	-
Total operating expenses	<u>611,431</u>	<u>910,243</u>
Operating (loss)	<u>(227,145)</u>	<u>(100,619)</u>
Non-operating revenues:		
State sources	3,737	-
Federal sources	276,086	-
Interest income	194	-
Total non-operating revenues	<u>280,017</u>	<u>-</u>
Increase in net position	52,872	(100,619)
Net position beginning of year, as restated	<u>(64,567)</u>	<u>103,347</u>
Net position end of year	<u>\$ (11,695)</u>	<u>\$ 2,728</u>

See notes to financial statements.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Exhibit I

STATEMENT OF CASH FLOWS

Proprietary Funds

Year ended June 30, 2015

	Nonmajor Enterprise Funds	Governmental Activities Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 225,823	\$ -
Cash received for employee benefits	-	837,015
Cash received from daycare services	158,634	-
Cash paid to employees for services	(281,449)	(910,243)
Cash paid to suppliers for goods or services	(313,532)	-
Net cash (used in) operating activities	(210,524)	(73,228)
Cash flows from non-capital financing activities:		
State grants received	3,737	-
Federal grants received	250,803	-
Net cash provided by non-capital financing activities	254,540	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(3,320)	-
Net cash (used in) capital and related financing activities	(3,320)	-
Cash flows from investing activities:		
Interest on investments	194	-
Net cash provided by investing activities	194	-
Net increase (decrease) in cash and cash equivalents	40,890	(73,228)
Cash and cash equivalents beginning of year, as restated	134,379	75,956
Cash and cash equivalents end of year	\$ 175,269	\$ 2,728

(Continued on next page)

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

**Exhibit I
(Continued)**

STATEMENT OF CASH FLOWS

Proprietary Funds

Year ended June 30, 2015

	Nonmajor Enterprise Funds	Governmental Activities Internal Service Fund
Reconciliation of operating (loss) to net cash (used in) operating activities:		
Operating (loss)	\$ (227,145)	\$ (100,619)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Commodities used	29,436	-
Depreciation	1,007	-
(Increase) in inventories	(1,157)	-
Decrease in accounts receivable	6,779	-
Decrease in due from other funds	-	27,391
(Decrease) in accounts payable	(13,091)	-
Increase in salaries and benefits payable	6,508	-
(Decrease) in deferred revenue	(6,608)	-
(Decrease) in net pension liability	(56,053)	-
(Increase) in deferred outflows of resources	(4,910)	-
Increase in deferred inflows of resources	51,761	-
Increase in other postemployment benefits	2,949	(73,228)
Net cash (used in) operating activities	\$ (210,524)	\$ (73,228)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$29,436 of federal commodities.

See notes to financial statements.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT**Exhibit J****STATEMENT OF FIDUCIARY NET POSITION****Fiduciary Funds****June 30, 2015**

	Private Purpose Trust Scholarship	Agency
Assets		
Cash, cash equivalents and pooled investments	\$ 2,748	\$ 15,508
Liabilities		
Due to other governments	-	15,508
Net Position		
Reserved for scholarships	<u>\$ 2,748</u>	<u>\$ -</u>

See notes to financial statements.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Exhibit K

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiduciary Funds
Year Ended June 30, 2015

	Private Purpose Trust Scholarship
Additions	<u>\$ -</u>
Deductions	<u>(3,275)</u>
Change in net position	(3,275)
Net position beginning of year	<u>6,023</u>
Net position end of year	<u><u>\$ 2,748</u></u>

See notes to financial statements.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Pocahontas Area Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Pocahontas, Rolfe, Havelock, Plover, Pomeroy and Palmer, Iowa and the predominately agricultural territory in a portion of Pocahontas, Palo Alto and Calhoun Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity:

For financial reporting purposes, Pocahontas Area Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Pocahontas, Palo Alto and Calhoun County Assessor's Conference Boards.

B. Basis of Presentation:

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued):

Government-wide Financial Statements (continued) –

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Special Revenue and Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Enterprise, Day Care Fund is used to account for the day care operations of the 28E agreement with the City of Pocahontas and the Pocahontas Community Hospital.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's self-insured health insurance plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued):

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting:

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (continued):

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum-adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity:

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (in Years)
Buildings	50
Improvements other than buildings	20 - 50
Furniture and equipment:	5 - 15

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date, but before the end of the employer's reporting period.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statements of Net Position.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within 60 days after year-end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities: certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, certain registered open-end management investment companies, certain joint investment trusts, and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had the following investments:

Type	Amortized Cost
Goldman Sachs Financial Square Government Fund	\$ 275,000
United States Treasury Bond	275,000
	<u>\$ 550,000</u>

The investments in the money market portfolio are valued at fair value. The investments in the money market portfolio are rated AAAM by Standard and Poor's Financial Services.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Management Levy	<u>\$ 15,117</u>
Total		<u><u>\$ 15,117</u></u>

The Management Levy Fund is repaying the General Fund for health insurance premiums incorrectly paid by the General Fund. The balance is to be repaid by June 30, 2016.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance End of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 172,157	\$ -	\$ -	\$ 172,157
Construction in progress	-	4,350,226	-	4,350,226
	172,157	4,350,226	-	4,522,383
Capital assets being depreciated:				
Buildings	16,763,122	9,036	-	16,772,158
Improvements other than buildings	935,704	90,182	-	1,025,886
Furniture and equipment	4,711,008	33,248	-	4,744,256
Total capital assets being depreciated	22,409,834	132,466	-	22,542,300
Less accumulated depreciation for:				
Buildings	4,207,771	342,819	-	4,550,590
Improvements other than buildings	444,703	34,616	-	479,319
Furniture and equipment	4,129,860	200,254	-	4,330,114
	8,782,334	577,689	-	9,360,023
Total capital assets being depreciated, net	13,627,500	(445,223)	-	13,182,277
Governmental activities capital assets, net	\$ 13,799,657	\$ 3,905,003	\$ -	\$17,704,660
Business-type activities:				
Furniture and equipment	\$ 117,701	\$ 3,320	\$ -	\$ 121,021
Less accumulated depreciation	113,462	1,007	-	114,469
Business-type activities capital assets, net	\$ 4,239	\$ 2,313	\$ -	\$ 6,552

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4. Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 81,149

Special 994

Support services:

Student support 976

Administration services 14,228

Operation and maintenance of plant services 12,416

Transportation 71,881

181,644

Unallocated depreciation 396,045

Total depreciation expense - governmental activities \$ 577,689

Business-type activities:

Food service operations \$ 1,007

Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 9,030,000	\$ -	\$ 425,000	\$ 8,605,000	\$ 445,000
Termination benefits	77,464	92,435	124,444	45,455	32,839
Net pension liability	4,166,806	-	1,430,763	2,736,043	-
Net OPEB liability	196,001	62,150	-	258,151	-
Total	\$ 13,470,271	\$ 154,585	\$ 1,980,207	\$ 11,644,649	\$ 477,839
Business-type activities:					
Net pension liability	\$ 209,631	\$ -	\$ 56,053	\$ 153,578	\$ -
Net OPEB liability	9,215	2,949	-	12,164	-
Total	\$ 218,846	\$ 2,949	\$ 56,053	\$ 165,742	\$ -

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5. Long-term Liabilities (Continued)

Termination Benefits

The District approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and no more than five employees per year will be granted benefits under the policy.

At June 30, 2015, the District has obligations to six participants with a total liability of \$45,455. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$124,444.

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Bond Issue of May, 2009				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2016	4.00%	\$ 445,000	\$ 360,239	\$ 805,239
2017	4.00%	470,000	342,439	812,439
2018	4.00%	490,000	323,639	813,639
2019	4.00%	515,000	304,039	819,039
2020	4.00%	535,000	283,439	818,439
2021-2025	4.00-4.25%	3,100,000	1,070,444	4,170,444
2026-2029	4.30-4.50%	3,050,000	345,378	3,395,378
		\$ 8,605,000	\$ 3,029,617	\$ 11,634,617

Note 6. Pension Plan

Plan Description: IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 6. Pension Plan (Continued)

Pension Benefits: A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 20, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retired before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits: A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions: Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$312,543.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 6. Pension Plan (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2015, the District reports a liability of \$2,889,621 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.0728616 percent, which was a decrease of 0.003361 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$147,209. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,405	\$ -
Changes of assumptions	127,525	-
Net difference between projected and actual earnings on pension plan investments	-	1,102,018
Changes in proportion and differences between District contributions and proportionate share of contributions	-	270,946
District contributions subsequent to the measurement date	312,543	-
Total	\$ 471,473	\$ 1,372,964

\$312,543 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (301,677)
2017	(301,676)
2018	(301,677)
2019	(301,676)
2020	(7,328)
Total	\$ (1,214,034)

There were no non-employer contributing entities at IPERS.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 6. Pension Plan (Continued)

Actuarial Assumptions: The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-term Expected Real Rate of Return
U S Equity	23 %	6.31
Non U S Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100 %	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 6. Pension Plan (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 5,459,858	\$ 2,889,621	\$ 720,075

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org

Payables to the Pension Plan: At June 30, 2015, the District reported payables to the defined benefit pension plan of \$501 for legally required employer contributions and \$334 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7. Other Postemployment Benefit (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 78 active and 12 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 7. Other Postemployment Benefit (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District’s net OPEB obligation.

Annual required contribution	\$ 77,167
Interest on net OPEB obligation	3,028
Adjustment to annual required contribution	(5,687)
Annual OPEB cost	74,508
Contributions made	(9,409)
Increase in net OPEB obligation	65,099
Net OPEB obligation beginning of year	205,216
Net OPEB obligation end of year	\$ 270,315

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$9,409 to the medical plan.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	81,723	25.6%	144,931
2013	77,758	22.5%	205,216
2014	74,508	12.6%	270,315

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was approximately \$436,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$436,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,138,000 and the ratio of the UAAL to covered payroll was 10.5%. As of June 30, 2015, there were no trust fund assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 7. Other Postemployment Benefit (OPEB) (Continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The UAAL is being amortized at a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Teacher salary supplement	\$ 22,843
Market factor	1,503
Market factor incentives	4,150
Educator quality, professional development	5,349
Administrator mentoring	1,500
Iowa core curriculum	5,449
	<hr/>
	\$ 40,794

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$327,943 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Construction Commitment

The District entered into \$4,623,095 of construction contracts for remodeling of the District's elementary school. As of June 30, 2015, costs of \$4,350,226 had been incurred against the contracts. The balance of \$272,869 remaining at June 30, 2015 will be paid as work on the project progresses.

Note 12. Accounting Change and Correction of Error

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after measurement date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 12. Accounting Change and Correction of Error (Continued)

During the year ended June 30, 2015 numerous prior year transactions were identified as uncleared cash transfers. These cash transfers were shown as an outstanding reduction in cash when in fact they had been previously recorded. The transactions cover years ended June 30, 2003 to June 30, 2014 and total \$702,752 for governmental activities and \$28,146 for business type activities, respectively.

	Governmental Activities	Business-type Activities
Net position June 30, 2014, as previously reported	\$ 12,039,029	\$ 108,866
Accounting change:		
Net pension liability at June 30, 2014	(4,166,806)	(209,631)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	409,708	16,052
Correction of error	702,752	20,146
Net position July 1, 2014, as restated	<u>\$ 8,984,683</u>	<u>\$ (64,567)</u>

The correction of error impacted the governmental funds as follows:

	General	Capital Projects
Fund balance June 30, 2014, as previously reported	\$ 2,412,061	\$ 3,536,324
Correction of error	337,179	365,573
Fund balance June 30, 2014, as restated	<u>\$ 2,749,240</u>	<u>\$ 3,901,897</u>

REQUIRED SUPPLEMENTARY INFORMATION

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 6,635,352	\$ 384,480	\$ 7,019,832
State sources	3,732,342	3,737	3,736,079
Federal sources	254,069	276,086	530,155
Total revenues	10,621,763	664,303	11,286,066
Expenditures/Expenses:			
Instruction	5,739,348	-	5,739,348
Support services	2,811,779	-	2,811,779
Non-instructional programs	-	611,431	611,431
Other expenditures	5,538,668	-	5,538,668
Total expenditures/expenses	14,089,795	611,431	14,701,226
Excess (deficiency) of revenues over (under) expenditures/expenses	(3,468,032)	52,872	(3,415,160)
Balance, beginning of year	8,161,005	(64,567)	8,096,438
Balance, end of year	\$ 4,692,973	\$ (11,695)	\$ 4,681,278

See accompanying independent auditor's report.

Budget		Final to Actual
Original	Final	Variance
\$ 7,965,497	\$ 6,547,237	\$ 472,595
3,120,049	4,273,002	(536,923)
605,098	498,117	32,038
11,690,644	11,318,356	(32,290)
6,055,181	6,696,000	956,652
3,856,868	3,362,000	550,221
795,000	745,000	133,569
5,002,448	6,253,800	715,132
15,709,497	17,056,800	2,355,574
(4,018,853)	(5,738,444)	2,323,284
5,396,287	7,425,204	671,234
\$ 1,377,434	\$ 1,686,760	\$ 2,994,518

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING Year Ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,347,303.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

Iowa Public Employees' Retirement System
Last Fiscal Year *
(In Thousands)

Required Supplementary Information

	2015
District's proportion of the net pension liability	0.0728616%
District's proportionate share of the net pension liability	\$ 2,890
District's covered-employee payroll	4,768
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	60.61%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

Iowa Public Employees' Retirement System

Last Fiscal Year *

(In Thousands)

Required Supplementary Information

	2015	2014	2013	2012
Statutorily required contribution	\$ 455	\$ 426	\$ 433	\$ 400
Contributions in relation to the statutorily required contribution	(455)	(426)	(433)	(400)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,098	\$ 4,768	\$ 4,999	\$ 4,959
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

2011	2010	2009	2008	2007	2006
\$ 256	\$ 248	\$ 250	\$ 225	\$ 202	\$ 207
(256)	(248)	(250)	(225)	(202)	(207)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,687	\$ 3,723	\$ 3,935	\$ 3,716	\$ 3,510	\$ 3,598
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information – Pension Liability Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual contribution rate.

Notes to Required Supplementary Information – Pension Liability (Continued)
Year ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

**SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN**

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b) %	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
<i>Combined Pocahontas Area and Pomeroy-Palmer Districts</i>							
2010	July 1, 2009	-	\$ 519,820	\$ 519,820	0.0%	\$ 4,695,000	11.1%
2011	July 1, 2009	-	493,968	493,968	0.0%	4,524,000	10.9%
2012	July 1, 2009	-	456,448	456,448	0.0%	4,453,000	10.3%
<i>Pocahontas Area District</i>							
2013	July 1, 2012	-	495,540	495,540	0.0%	3,988,000	12.4%
2014	July 1, 2012	-	466,073	466,073	0.0%	3,973,000	11.7%
2015	July 1, 2012	-	436,296	436,296	0.0%	4,138,000	10.5%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule 1

Combining Balance Sheet
Special Revenue Accounts

June 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 1,012,557	\$ 162,635	\$ 1,175,192
Receivables:			
Property tax:			
Delinquent	985	-	985
Succeeding year	150,001	-	150,001
Accounts	-	27,397	27,397
Total assets	\$ 1,163,543	\$ 190,032	\$ 1,353,575
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 59,328	\$ 4,169	\$ 63,497
Due to other funds	15,117	-	15,117
Salaries and benefits payable	53,825	-	53,825
Total liabilities	128,270	4,169	132,439
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	150,001	-	150,001
Total deferred inflows of resources	150,001	-	150,001
Fund balances:			
Restricted for:			
Management levy purposes	885,272	-	885,272
Student activities	-	185,863	185,863
Total fund balances	885,272	185,863	1,071,135
Total liabilities, deferred inflows of resources and fund balances	\$ 1,163,543	\$ 190,032	\$ 1,353,575

See accompanying independent auditor's report.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule 2

**Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Special Revenue Accounts**

Year ended June 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 151,891	\$ -	\$ 151,891
Other	397	366,907	367,304
State sources	49	-	49
Total revenues	152,337	366,907	519,244
Expenditures:			
Current:			
Instruction:			
Regular	128,270	-	128,270
Other	-	338,992	338,992
Support services:			
Operation and maintenance of plant	175,018	-	175,018
Total expenditures	303,288	338,992	642,280
Change in fund balances	(150,951)	27,915	(123,036)
Fund balances beginning of year	1,036,223	157,948	1,194,171
Fund balances end of year	\$ 885,272	\$ 185,863	\$ 1,071,135

See accompanying independent auditor's report.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule 3

Combining Schedule of Net Fund Position
Nonmajor Enterprise Funds

June 30, 2015

	Enterprise Funds		
	Nonmajor School Nutrition	Nonmajor Day Care	Total
Assets			
Current assets:			
Cash, cash equivalents and pooled investments	\$ 133,695	\$ 41,574	\$ 175,269
Accounts receivable	4,615	-	4,615
Due from other governments	14,981	-	14,981
Inventories	9,597	-	9,597
Total current assets	162,888	41,574	204,462
Noncurrent assets:			
Capital assets, net of accumulated depreciation	6,552	-	6,552
Total assets	169,440	41,574	211,014
Deferred outflows of resources:			
Pension related deferred outflows	10,865	10,097	20,962
Liabilities:			
Current liabilities:			
Accounts payable	8,791	575	9,366
Salaries and benefits payable	7,499	9,303	16,802
Total current liabilities	16,290	9,878	26,168
Noncurrent liabilities:			
Net pension liability	80,864	72,714	153,578
Net OPEB liability	12,164	-	12,164
Total noncurrent liabilities	93,028	72,714	165,742
Total liabilities	109,318	82,592	191,910
Deferred inflows of resources:			
Pension related deferred inflows	26,361	25,400	51,761
Net position:			
Net investment in capital assets	6,552	-	6,552
Unrestricted	38,074	(56,321)	(18,247)
Total net position	\$ 44,626	\$ (56,321)	\$ (11,695)

See accompanying independent auditor's report.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule 4

Combining Schedule of Revenues, Expenses and
Changes in Fund Net Position
Nonmajor Enterprise Funds

Year ended June 30, 2015

	Enterprise Funds		
	Nonmajor School Nutrition	Nonmajor Day Care	Total
Operating Revenues:			
Local sources:			
Charges for services	\$ 225,652	\$ 158,634	\$ 384,286
Operating Expenses:			
Noninstructional programs:			
Salaries	102,213	103,388	205,601
Benefits	63,947	12,156	76,103
Purchased services	-	12,851	12,851
Supplies	297,085	18,716	315,801
Depreciation	1,007	-	1,007
Other	68	-	68
Total operating expenses	464,320	147,111	611,431
Operating income (loss)	(238,668)	11,523	(227,145)
Non-operating Revenue:			
State sources	3,737	-	3,737
Federal sources	270,832	5,254	276,086
Interest income	158	36	194
Total non-operating revenue	274,727	5,290	280,017
Change in net position	36,059	16,813	52,872
Net position beginning of year, as restated	8,567	(73,134)	(64,567)
Net position end of year	\$ 44,626	\$ (56,321)	\$ (11,695)

See accompanying independent auditor's report.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule 5

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2015

	Enterprise Funds		
	Nonmajor School Nutrition	Nonmajor Day Care	Total
Cash Flows from Operating Activities:			
Cash received from sale of lunches and breakfasts	\$ 225,823	\$ -	\$ 225,823
Cash received from day care services	-	158,634	158,634
Cash paid to employees for services	(163,620)	(117,829)	(281,449)
Cash paid to suppliers for goods or services	(275,641)	(37,891)	(313,532)
Net cash provided by (used in) operating activities	(213,438)	2,914	(210,524)
Cash Flows from Non-capital Financing Activities:			
State grants received	3,737	-	3,737
Federal grants received	245,549	5,254	250,803
Net cash provided by non-capital financing activities	249,286	5,254	254,540
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(3,320)	-	(3,320)
Net cash (used in) capital and related financing activities	(3,320)	-	(3,320)
Cash Flows from Investing Activities:			
Interest on investments	158	36	194
Net cash provided by investing activities	158	36	194
Net increase in cash and cash equivalents	32,686	8,204	40,890
Cash and cash equivalents at beginning of year, as restated	101,009	33,370	134,379
Cash and cash equivalents at end of year	\$ 133,695	\$ 41,574	\$ 175,269

(Continued on next page)

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule 5
(Continued)Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2015

	Enterprise Funds		
	Nonmajor School Nutrition	Nonmajor Day Care	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (238,668)	\$ 11,523	\$ (227,145)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Commodities used	29,436	-	29,436
Depreciation	1,007	-	1,007
(Increase) in inventories	(1,157)	-	(1,157)
Decrease in accounts receivable	6,779	-	6,779
(Decrease) in accounts payable	(6,767)	(6,324)	(13,091)
Increase in salaries and benefits payable	4,467	2,041	6,508
(Decrease) in deferred revenue	(6,608)	-	(6,608)
(Decrease) in net pension liability	(28,547)	(27,506)	(56,053)
(Increase) in deferred outflows of resources	(2,690)	(2,220)	(4,910)
Increase in deferred inflows of resources	26,361	25,400	51,761
Increase in other postemployment benefits	2,949	-	2,949
Net cash provided by (used in) operating activities	\$ (213,438)	\$ 2,914	\$ (210,524)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$29,436 of federal commodities.

See accompanying independent auditor's report.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule 6

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
Graduated classes	\$ 8,241	\$ 6,958	\$ -	\$ -	\$ 15,199
Class of 2010	1,990	-	1,990	-	-
Class of 2011	824	-	824	-	-
Class of 2012	1,694	-	1,694	-	-
Class of 2013	1,569	-	1,569	-	-
Class of 2014	1,702	-	-	-	1,702
Class of 2015	3,375	149	2,224	-	1,300
Class of 2016	39	9,065	6,260	-	2,844
Locker rent	1,301	-	-	-	1,301
Board of Education	1,233	350	643	-	940
Mock trial	6,251	145	2,743	-	3,653
Juice/water/hs commons	42	3,014	3,055	-	1
Pop/juice-vending	508	4,769	4,504	-	773
Vocal music	619	3,168	2,628	-	1,159
Instrumental music	1,300	4,236	4,938	-	598
Music memorial	530	-	-	-	530
Band uniforms	2,875	740	1,689	-	1,926
Band insurance	686	-	-	-	686
Drill team	4,516	13,299	16,905	-	910
Football	-	19,194	19,194	-	-
Cheerleaders	297	8,966	7,440	-	1,823
Weight training	68	86	-	-	154
Golf	-	1,532	1,532	-	-
Basketball	-	38,480	35,689	-	2,791
Boys basketball camp	2,972	5,083	6,615	-	1,440
Volleyball	-	3,511	3,511	-	-
Softball/baseball	58	11,896	11,595	-	359
Track	-	16,596	16,086	-	510
Track trip-boys	99	695	537	-	257
Track trip-girls	3,299	2,092	1,106	-	4,285
Cross country	-	2,846	2,846	-	-
Wrestling	-	6,156	6,156	-	-
Activity tickets	-	11,805	11,805	-	-
Activity tickets/senior citizens	542	280	-	-	822
Wrestling mothers	4,746	8,041	6,414	-	6,373
Football camp	1,022	10,590	8,482	-	3,130
Athletic resale	982	765	1,118	-	629
Volleyball camp	1,562	2,094	233	-	3,423
Boys golf camp	245	2,108	1,513	-	840
Golf camp	1,623	1,326	904	-	2,045

(Continued on next page)

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule 6
(Continued)

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
Bowling class donations	\$ 55	\$ 1,370	\$ 1,173	\$ -	\$ 252
Girls basketball camp	9,052	8,117	11,433	-	5,736
Cross country special fund	-	3,233	2,953	-	280
Trading post store	118	5,599	3,491	-	2,226
Art club	-	3,495	2,742	-	753
Electrathon	-	2,088	243	-	1,845
Peer helpers	1,559	-	500	-	1,059
Student council/concessions	2,221	47,293	47,009	-	2,505
Character education	3,924	1,102	1,290	-	3,736
FFA	11,423	28,659	25,146	-	14,936
Home ec club	14	-	-	-	14
Home ec resale	53	-	-	-	53
Spanish club	75	-	75	-	-
Annual	1,043	7,372	8,415	-	-
Softball concessions	6,728	3,473	238	-	9,963
Baseball concessions	5,713	8,610	7,313	-	7,010
Wellness	134	-	-	-	134
Dramatics	329	1,949	2,017	-	261
National honor society	274	-	121	-	153
Midway USA	-	2,400	-	-	2,400
Students with special needs	-	50	43	-	7
Elementary sunshine fund	472	15,437	15,273	-	636
Elementary fundraising	24,112	6,505	-	-	30,617
Swing choir	342	-	-	-	342
Mentoring program	44	-	-	-	44
Task force fund	369	1,027	1,027	-	369
Elementary booster	4,318	6,696	3,446	-	7,568
MS concessions	475	-	-	-	475
Jump rope for heart	2,688	260	260	-	2,688
HS take charge for education	3,322	533	1,149	-	2,706
Schwig marketing	971	1,535	898	-	1,608
MS take chage for education	320	398	-	-	718
MS activities	3,037	-	-	-	3,037
Carnival	5,215	2,134	2,025	-	5,324
After prom party	2,512	7,294	5,951	-	3,855
Sedlacek Scholar	2,838	-	-	-	2,838
Interest	7,388	243	319	-	7,312
Total	\$ 157,948	\$ 366,907	\$ 338,992	\$ -	\$ 185,863

See accompanying independent auditor's report.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule 7

Combining Balance Sheet
Capital Project Accounts

June 30, 2015

	Capital Projects			
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 21,054	\$ 3,609	\$ 580,161	\$ 604,824
Receivables:				
Property tax:				
Delinquent	-	-	3,156	3,156
Succeeding year	-	-	506,673	506,673
Due from other governments	-	103,584	-	103,584
Total assets	\$ 21,054	\$ 107,193	\$ 1,089,990	\$ 1,218,237
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 3,244	\$ 20,841	\$ 124,385	\$ 148,470
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	506,673	506,673
	-	-	506,673	506,673
Fund balances:				
Restricted for:				
School infrastructure	17,810	86,352	-	104,162
Physical plant and equipment	-	-	458,932	458,932
Total fund balances	17,810	86,352	458,932	563,094
Total liabilities, deferred inflows of resources and fund balances	\$ 21,054	\$ 107,193	\$ 1,089,990	\$ 1,218,237

See accompanying independent auditor's report.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule 8

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2015

	Capital Projects			
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ -	\$ -	\$ 486,599	\$ 486,599
Other	135	-	53,653	53,788
State sources	-	625,025	777	625,802
Total revenues	135	625,025	541,029	1,166,189
Expenditures:				
Current:				
Support services:				
Administration services	-	-	7,500	7,500
Transportation	-	-	91,505	91,505
Other expenditures:				
Facilities acquisition	25,083	3,330,726	1,050,178	4,405,987
Total expenditures	25,083	3,330,726	1,149,183	4,504,992
Change in fund balances	(24,948)	(2,705,701)	(608,154)	(3,338,803)
Fund balances beginning of year, as restated	42,758	2,792,053	1,067,086	3,901,897
Fund balances end of year	\$ 17,810	\$ 86,352	\$ 458,932	\$ 563,094

See accompanying independent auditor's report.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds**

For the Last Ten Years

Pocahontas Area District				
	2015	2014	2013	2012
Revenues:				
Local sources:				
Local tax	\$ 5,584,083	\$ 5,304,486	\$ 6,253,006	\$ 6,783,910
Tuition	454,347	398,181	446,692	1,165,112
Other	596,922	493,060	563,212	522,441
Intermediate sources	-	-	-	-
State sources	3,732,342	3,921,115	3,545,522	3,486,158
Federal sources	254,069	221,691	254,283	276,710
Total revenues	\$ 10,621,763	\$ 10,338,533	\$ 11,062,715	\$ 12,234,331
Expenditures:				
Instruction				
Regular instruction	\$ 3,310,504	\$ 3,104,467	\$ 3,614,424	\$ 3,942,104
Special instruction	947,198	858,501	852,302	1,057,361
Other instruction	1,481,646	1,409,751	1,294,155	1,293,348
Support services:				
Student	185,959	200,475	196,591	196,249
Instructional staff	327,623	447,170	294,022	260,936
Administration	790,967	708,679	717,213	1,093,552
Operation and maintenance of plant	864,483	1,022,792	798,626	778,903
Transportation	642,747	725,774	484,932	509,099
Non-instrumental programs	-	-	-	-
Other expenditures:				
Facilities acquisition	4,405,987	345,158	1,537,479	1,048,316
Long-term debt:				
Principal	425,000	405,000	390,000	550,000
Interest and other charges	379,738	394,939	409,039	424,339
AEA flowthrough	327,943	325,509	313,255	307,445
Total expenditures	\$ 14,089,795	\$ 9,948,215	\$ 10,902,038	\$ 11,461,652

See accompanying independent auditor's report.

Schedule 9

Modified Accrual Basis					
Combined Pocahontas Area and Pomeroy-Palmer Districts					
2011	2010	2009	2008	2007	2006
\$ 6,091,590	\$ 5,219,832	\$ 4,319,872	\$ 4,066,167	\$ 4,043,007	\$ 4,194,547
1,186,325	1,260,527	434,313	340,279	446,091	469,271
460,398	666,537	468,678	531,498	576,388	621,684
-	-	-	-	3,502	-
3,255,324	3,051,647	3,922,720	4,042,622	3,754,370	3,927,897
775,076	632,557	301,354	284,075	301,118	313,566
\$ 11,768,713	\$ 10,831,100	\$ 9,446,937	\$ 9,264,641	\$ 9,124,476	\$ 9,526,965
\$ 5,877,064	\$ 5,984,074	\$ 5,594,176	\$ 5,537,894	\$ 5,049,740	\$ 5,181,019
357,637	320,806	292,764	268,087	260,584	192,645
276,017	357,596	362,960	320,304	459,546	485,038
212,847	193,819	225,140	220,816	222,464	248,444
180,195	248,898	270,949	297,566	253,742	247,325
858,443	891,709	953,867	878,553	1,003,524	962,147
715,957	817,038	820,343	824,120	801,650	818,175
403,278	429,596	387,709	483,467	440,083	386,057
-	2,475	1,607	6,037	4,686	4,776
6,197,569	3,991,244	1,080,282	216,003	179,821	409,642
535,000	-	-	-	-	-
438,038	-	-	-	-	-
348,388	348,174	324,728	319,698	312,934	305,106
\$ 16,400,433	\$ 13,585,429	\$ 10,314,525	\$ 9,372,545	\$ 8,988,774	\$ 9,240,374



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of
Pocahontas Area Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pocahontas Area Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 17, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pocahontas Area Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pocahontas Area Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pocahontas Area Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings and Questioned Costs as item II-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pocahontas Area Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Pocahontas Area Community School District's Responses to Findings

Pocahontas Area Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Pocahontas Area Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schnur & Company, LLP

Fort Dodge, Iowa
March 17, 2016

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

Part I: Summary of Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Internal Control Deficiencies:

II-A-15 Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, processing payroll, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

II-B-15 Bank Reconciliation: Bank reconciliations are prepared monthly and reconciled to the general ledger. However, the bank reconciliations had numerous transactions listed as outstanding from prior years that were improperly reflected as outstanding.

Recommendation: Outstanding transactions on bank reconciliations should be reviewed for accuracy. Adjustments should be made to correct transactions that are not properly recorded as outstanding.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2015

Part II: Findings Related to the Financial Statements (Continued):

Internal Control Deficiencies (continued)

II-B-15 Bank Reconciliation (continued):

Response: We will review outstanding transactions regularly and make appropriate adjustments.

Conclusion: Response accepted.

Part III: Other Findings Related To Required Statutory Reporting:

III-A-15 Certified Budget: Expenditures for the year ended June 30, 2015 did not exceed the certified budget amounts.

III-B-15 Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-C-15 Travel Expense: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-D-15 Business Transactions: No business transactions between the District and District officials or employees were noted.

III-E-15 Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-15 Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

III-G-15 Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education for October 1, 2014 was overstated by one student.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response: We will contact the Iowa Department of Education and the Department of Management as necessary.

Conclusion: Response accepted.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2015

Part III: Other Findings Related To Required Statutory Reporting (Continued):

III-H-15 Supplementary Weighting: Variances in courses and operational sharing impacting the supplemental weighting certified to the Iowa Department of Education were noted.

Recommendation: The District should contact the Iowa Department of Education to resolve this matter.

Response: We will contact the Iowa Department of Education.

Conclusion: Response accepted.

III-I-15 Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

III-J-15 Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.

III-K-15 Categorical Funding: No instances of categorical funding being used to supplant rather than supplement other funds were noted.

III-L-15 Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

Beginning balance	\$ 2,792,053
Revenues/transfers in:	
Statewide sales, services and use tax revenues	<u>625,025</u>
	3,417,078
Expenditures/transfers out:	
School infrastructure construction	<u>3,330,726</u>
Ending balance	<u><u>\$ 86,352</u></u>